

Message Text

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ACTION EB-07

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 9721

C O N F I D E N T I A L BANGKOK 5224

E.O. 11652: GDS

TAGS: EAIR, TH, UK

SUBJECT: CIVAIR: RTG-UK AGREEMENT

REF: BANGKOK 4383

1. DR. SISUK OF MINISTRY OF COMMUNICATIONS, NOW FULLY RECOVERED FROM RECENT ILLNESS, MARCH 8 CONFIRMED PICTURE PROVIDED BY BRITISH (REFTEL) OF RTG-UK AIR AGREEMENT, BUT ADDED THAT RECENT MEMO OF UNDERSTANDING ON CAPACITY HAS ONE-YEAR VALIDITY, AND THAT BRITISH HAVE INFORMED RTG THAT THAI AIRLINES MUST REDUCE 7648 SEAT TOTAL TO 6,500 SEATS EARLY IN 1977; BRITISH HAVE SERVED NOTICE THEY WILL REQUEST TALKS

NEXT FEBRUARY TO INSURE COMPLIANCE.

2. SISUK SAID THAI AIRLINE AND RTG AGENCIES ARE STRUGGLING OVER FORMULA TO ALLOCATE TOTAL SEATS BETWEEN THAI INTER AND AIR SIAM; IT APPEARS THAI INTER WILL TAKE BRUNT OF CAPACITY CUT UNDER "ONE-SEVEN-ONE" FORMULA WHICH CALLS FOR AIR SIAM TO OVERFLY HONG KONG IN EACH DIRECTION ON ONE WEEKLY 747 SERVICE VIA JAPAN THAI INTER TO CANCEL ITS DAILY TURNAROUND SERVICE TO HONG KONG, AND THAI INTER TO OVERFLY HONG KONG IN EACH DIRECTION ON ONE OF ITS 14 WEEKLY SERVICES VIA HONG KONG.

3. SISUK SAID CABINET HAS TAKEN RESPONSIBILITY FOR MERGER OF THAI AIRLINES OUT OF HANDS OF MINISTRY OF COMMUNICATIONS, CONFIDENTIAL

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AND LODGED IT IN HANDS OF MINISTRY OF FINANCE. SISUK

BELIEVES THIS ASSURES AIR SIAM WILL BE PROTECTED BY RTG, AT LEAST IN NEAR-TERM, AT EXPENSE OF THAI INTER IF NECESSARY. SISUK SAID THAT ACCORDING HIS MINISTRY'S INFORMATION, AIR SIAM IS CURRENTLY BANKRUPT, HAVING LIABILITIES OF 320 MILLION BAHT AND ASSETS OF ONLY 200 MILLION BAHT. MOREOVER, ACCORDING SISUK, 90 PERCENT OF "ASSETS" ARE IN FORM OF ACCOUNTS RECEIVABLE WHICH REPRESENT BOOKKEEPING FACTOR BASED ON DIFFERENCE BETWEEN IATA FARES AND FARES AT WHICH TICKETS ARE ACTUALLY SOLD, AND THUS ARE NOT IN FACT COLLECTABLE.

4. THAIDEL, OR AT LEAST DR. SIRILAK AND HIS SON SISUK, ARE DEEPLY EMBITTERED OVER TREATMENT AT HANDS OF BRITISH WHO SISUK DESCRIBED AS "TRICKY, CRUEL, AND DECEITFUL." SISUK SAID THAI BUREAUCRATS, AND THE PRESS DO NOT YET UNDERSTAND THAT THE BRITISH INTEND TO IMPOSE SEVERE CUTS ON THAI AIRLINE CAPACITY THROUGH HONG KONG, PROBABLY BY MID-MARCH (DR. SIRILAK HAS ASKED BRITISH TO ACCEPT APRIL 1 DATE FOR FILING NEW SCHEDULES). HE INSISTS THE BRITISH INSULTED THAILAND IN RECENT TALKS, AND HAS URGED THAT RTG DENOUNCE BRITISH BILATERAL, DESPITE LOSSES THAI AIRLINES MIGHT SUFFER, AND BELIEVES RTG MIGHT DO SO WHEN EXTENT OF DAMAGE INFLICTED BY BRITISH BECOMES EVIDENT TO PUBLIC. SUCH ACTION BY RTG MIGHT WELL JEOPARDIZE, OR AT BEST DELAY, SALE OF DC-10'S TO THAI INTER (PARA 1, E OF REFTEL).
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